

SALES AND USE TAX REVIEW COMMISSION

RECOMMENDATION PURSUANT TO P.L. 1999, C. 416

BILL NUMBER: S-967

**DATE OF
INTRODUCTION: 2/11/02**

SPONSOR: Senator Turner

**DATE OF
RECOMMENDATION: 4/30/02**

IDENTICAL BILL:

COMMITTEE: Senate Education

DESCRIPTION:

Broadens the exemption for school textbooks to include "recommended" textbooks, in addition to books designated as "required" textbooks by the educational institution.

ANALYSIS:

The bill does not explicitly limit the right to claim the exemption to students for *their own* school purposes. The existing statutory language also does not so limit the exemption. However, the omission has never been an administrative problem, because generally, elementary and secondary school texts are purchased by the school systems, which are exempt pursuant to N.J.S.A. 54:32B-9, while higher education textbooks are usually sold by a limited number of vendors, generally "college bookstores" which usually sell required texts in a special section of their store. But if the scope of the exemption were expanded to include merely "recommended" books, *any* purchaser might potentially claim exemption when purchasing any general trade book that happens to be recommended by some school in New Jersey. Thus, the practical effect of this amendment, if enacted, could be to create an almost blanket exemption for book purchases in New Jersey, provided that some school has taken the requisite steps to list the book as "recommended" reading material.

In addition, there is likely to be wide variance in the extent to which various schools choose to complete the necessary paperwork in order to declare that a book is “recommended” and to obtain the Department of Education’s or the Commission of Higher Education’s approval of their recommendations. “Recommended” books will not be limited to those purchased by a school system or marketed to college students in the “textbook” section of a university bookstore. They will be found among the normal stock of a wide variety of bookstores that do not specialize in “school” books. The amendment could thus operate contrary to the State’s policy to subject *most* retail sales of tangible personal property to a broad-based sales tax, subject to only *limited* exemptions.

It would be difficult and burdensome for vendors to implement the exemption proposed in this bill, since “recommended” books encompass a wide range of reading material sold by vendors who are not accustomed to receiving a Form St-16 (Exemption Certificate for Student Textbooks) or other exemption certificates for book purchases. There would also be resulting problems for the Division of Taxation’s investigators and auditors.

In addition, the expansion of the textbook exemption would further alter the broad-based nature of the sales and use tax. A broad-based tax, imposed with limited exemptions on a wide range of transactions, is easy to understand and administer, and is generally perceived as economically neutral and “fair”. When imposed at fairly low rate, the burden, per transaction, on the individual taxpayer, is relatively small, but the cumulative revenue generated can be enormous. An exemption for “recommended” but not “required” books would save an individual college student a fairly insignificant sum every year. However, the loss of revenue, some of it unintended, to the State could be substantial. This leaves the State to find other means of generating the moneys lost as a result of an expanded exemption that has little to recommend it as a matter of tax policy.

RECOMMENDATION:

Oppose

COMMISSION MEMBERS FOR PROPOSAL: 0

COMMISSION MEMBERS AGAINST PROPOSAL: 5

COMMISSION MEMBERS ABSTAINING: 0

COMMISSION MEETING DATE: 4/30/02

CMT:faw